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To ensure access to high-quality,
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ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23 August 7, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

August 07, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENTS TO TWO FINANCIAL MANAGEMENT
SERVICES AGREEMENTS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of amendments to extend the term of agreements with Apollo Health Street, Inc. for Financial Management Services, and USCB, Inc for Financial Billing and Recovery Services.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 2 to the Financial Management Services (FMS) Agreement No. H-703466 with Apollo Health Street, Inc. (Apollo), effective on execution, to extend the term of the agreement for the period September 1, 2012 through May 31, 2013 with no change to the compensation rates.
2. Authorize the Director, or his designee, to execute Amendment No. 3 to the Financial Billing and Recovery Services (FBRS) Agreement No. H-702058 with USCB, Inc (USCB), effective on execution, to extend the term of the agreement for the period September 1, 2012 through May 31, 2013 to be coterminous with the Apollo Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow the Director, to execute an amendment, substantially similar to Exhibit I, which extends the term of the Apollo agreement and strengthens contract terms associated with the revenue recoupment process.

Approval of the second recommendation will allow the Director, to execute an amendment, substantially similar to Exhibit II, with USCB to extend the term of the agreement to be coterminous with the Apollo agreement.

Both agreements provide critical revenue recovery services to supplement Department of Health Services (DHS) efforts and are slated to expire August 31, 2012. The recommended agreement extensions will enable DHS to complete a single competitive solicitation during the extension period for one or more successor agreements to provide a full range of revenue recovery services to the department. Development of the solicitation has required more time and staff resources than initially anticipated due to consolidation of DHS billing operations, the range and complexity of the required services and potential future impact from anticipated changes from the Health Care Reform and Electronic Health Record implementation.

Implementation of Strategic Plan Goals

The recommended actions support Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Apollo and USCB receive contingency fee per service for financial management services based on actual collections and the contractual contingency fee per service will not increase during the extended period. The recommended action will allow DHS to achieve estimated net revenue collection for a total of \$111.3 million from September 1, 2012 through May 31, 2013.

Total estimated contingency fee for extended period is \$6.5 million, which includes \$5.7 million for Apollo and \$0.8 million for USCB.

Funding is included in DHS FY 2012-13 Board Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Apollo Agreement

On August 19, 2008, the Board approved an agreement with Apollo for a wide range of financial management services including, but not limited to, Billing and Follow-up Services, Financial Management and Consulting Services, and Secondary Third-Party Resource Identification and Recovery Services at DHS hospitals, Health and Comprehensive Health Centers, and Multi Service Ambulatory Care Centers to maximize revenue recovery.

On November 3, 2009, DHS entered into Amendment No. 1 with Apollo to increase the maximum negotiated inpatient commercial insurance contingent fee paid to Apollo from 6.4 percent up to 14.0 percent if Apollo exceeded the \$18.8 million baseline in collections for LAC+USC Medical Center in FY 2007-08. This action resulted in Apollo exceeding FY 2007-08 collections by \$0.8 million in FY

2010-11 and approximately \$4.6 million in FY 2011-12. Apollo continued to utilize its enhanced data capturing, processing and claiming programs to comply with the unique and changing requirements of the County and its customized on-site billing is an integral part allowing DHS facilities to directly bill claims to all payers in compliance with federal, state and local regulations.

In Fiscal Year 2011-12, Apollo is estimated to generate \$155.3 million in annual gross revenue and total estimated contingency fee is \$ 7.4 million, for a net revenue collection of \$147.9 million.

USCB Agreement

On July 1, 2006, DHS entered into a replacement Agreement with USCB under delegated authority approved by your Board in December 2005. On November 3, 2009, DHS entered into Amendment No. 1 with USCB to increase the maximum contingent fee paid to USCB from 10.0 percent to 20.0 percent of payments received from the Medicare Bad Debt Recovery Services as compensation for meeting the new Medicare and Medicaid requirements.

USCB has worked closely with DHS to provide third party identification and billing services that are compliant with state, federal, and other payer requirements. This has allowed USCB to establish the experience and working relationship necessary to continue effectively provide the services required to support DHS' large and complex billing operations.

In Fiscal Year FY 2011-12, USCB is estimated to generate \$1.8 million in annual gross revenue and total estimated contingency fee is \$ 0.2 million, for a net revenue collection of \$1.6 million.

Both Agreements

DHS has determined that the provisions of the Living Wage Program (County Code Chapter 2.201) do not apply to these agreements, since the services are highly specialized, technical in nature and are provided on an as- basis. Account referrals made to each contractor fluctuate from month to month and there are no referral guarantees made by the County.

County Counsel has approved Exhibits I and II as to use and form.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will ensure the effective administration of the FMS and FBRs Services and maximize DHS' revenue recovery.

The Honorable Board of Supervisors

8/7/2012

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:sd

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

**FINANCIAL MANAGEMENT SERVICES AGREEMENT
AMENDMENT NO. 2**

THIS AMENDMENT is made and entered into this _____ day
of _____, 2012,

by and between

COUNTY OF LOS ANGELES
(hereinafter "County"),

and

APOLLO HEALTH STREET, INC.
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled
"FINANCIAL MANAGEMENT SERVICES AGREEMENT", dated September 1,
2008, and further identified as County Agreement No. H-703466, (hereafter
referred to as "Agreement" or "Contract"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to
provide for the changes set forth herein; and

WHEREAS, Agreement provides that changes to its terms may be made
in the form of a written Amendment which is formally approved and executed by
the parties.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall be effective September 1, 2012
2. Paragraph 1, TERM, Subparagraph A, shall be replaced in its entirety
to now read as follows:

"1. TERM:

A. The term of this Agreement shall commence
September 1, 2008, and shall continue, unless sooner terminated or
canceled, in full force and effect to and including midnight May 31,
2013.

In any event, this Agreement may be canceled or terminated at any time by either party, with or without cause, upon the giving of at least ninety (90) calendar days' prior written notice to the other.

Notwithstanding any other provision of this Paragraph, the failure of a Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time.

The County maintains databases that track/monitor Contractor performance history. Information entered into such databases may be used for a variety of purposes, including determining whether the County will exercise a contract term extension option.

The Contractor shall notify DHS when this Agreement is within six (6) months from the expiration of the term as provided for hereinabove. Upon occurrence of this event, the Contractor shall send written notification to the DHS."

3. Paragraph 11, Unsatisfactory Performance Remedies shall be added to Exhibit A, Statement of Work to read as follows.

" 11. Unsatisfactory Performance Remedies:

When performance does not conform to the requirements of the Contract (which by reference also includes the terms of the Additional Provisions and this Exhibit A, "Statement of Work"), DHS may unilaterally apply the following nonperformance remedies:

- A. Require the Contractor to implement a formal corrective action plan, subject to approval by DHS. In the plan, the Contractor must include the reasons for the unacceptable performance, the specific steps needed to return Contractor performance to an acceptable level, and the monitoring methods initiated by Contractor to prevent recurrences.

B. Assess unsatisfactory performance deductions of monies paid or to be paid to Contractor to allow for the timely recoupment of all financial losses to County resulting from actions or inactions of the Contractor or its Sub-Contractor.

C. DHS may withhold account referrals and/or assignments until such time as DHS determines Contractor performance has returned to an acceptable level.

D. Terminate the Contract for default pursuant to provisions of Paragraph 37 of the Additional Provisions, "Termination For Default", of the Contract."

4. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be executed by its Director of Health Services, and Contractor has caused this Agreement to be executed in its behalf by its duly authorized officer, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
Mitchell H. Katz, M.D.
Director of Health Services

CONTRACTOR

By _____
Signature

Printed Name

Title

APPROVED AS TO FORM
BY THE OFFICE OF THE
COUNTY COUNSEL

H-702058-3

FINANCIAL BILLING AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 3

THIS AMENDMENT is made and entered into this _____ day
of _____, 2012,

by and between

COUNTY OF LOS ANGELES
(hereafter "County"),

and

USCB, INC.
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "FINANCIAL BILLING AND RECOVERY SERVICES AGREEMENT", dated July 1, 2006, and further identified as County Agreement No. H-702058 (hereafter "Agreement" or "Contract"); and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to extend the term, and reflect any changes described hereinafter; and

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective upon the date of its approval by the County's Board of Supervisors.

2. Subject to the provisions of the Agreement, this Agreement shall continue in full force and effect to and including May 31, 2013.

3. Agreement Paragraph 1, TERM, shall be deleted in its entirety and replaced as follows:

“1. TERM: The term of this Agreement shall commence on July 1, 2006, and shall continue, in full force and effect, to May 31, 2013.

In any event, this Agreement may be canceled or terminated at any time by either party, with or without cause, upon the giving of at least thirty (30) calendar days advance written notice to the other party. Further, County may also suspend the performance of services hereunder, in whole or in part, upon the giving of at least thirty (30) calendar days advance written notice to Contractor. County's notice shall set forth the extent of the suspension and the requirements for full restoration of the performance obligations.

Notwithstanding any other provision of this Agreement, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time.

The County maintains databases that track/monitor Contractor performance history. Information entered into such databases may be used for a variety of purposes, including determining whether the County will exercise a contract term extension option.

The Contractor shall notify DHS when this Agreement is within six (6)

months from the expiration of the term as provided for hereinabove. Upon occurrence of this event, the Contractor shall send written notification to the DHS.”

3. Paragraph 11, Unsatisfactory Performance Remedies shall be added to Exhibit A, Statement of Work to read as follows.

“ 11. Unsatisfactory Performance Remedies:

When performance does not conform to the requirements of the Contract (which by reference also includes the terms of the Additional Provisions and this Exhibit A, “Statement of Work”), DHS may unilaterally apply the following nonperformance remedies:

A. Require the Contractor to implement a formal corrective action plan, subject to approval by DHS. In the plan, the Contractor must include the reasons for the unacceptable performance, the specific steps needed to return Contractor performance to an acceptable level, and the monitoring methods initiated by Contractor to prevent recurrences.

B. Assess unsatisfactory performance deductions of monies paid or to be paid to Contractor to allow for the timely recoupment of all financial losses to County resulting from actions or inactions of the Contractor or its Sub-Contractor.

C. DHS may withhold account referrals and/or assignments until such time as DHS determines Contractor performance has returned to an acceptable level.

D. Terminate the Contract for default pursuant to provisions of Paragraph 37 of the Additional Provisions, "Termination For Default", of the Contract."

4. Except for the changes set forth herein above, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the County's Director of Health Services and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
Mitchell H. Katz, M.D.
Director

USCB, INC. _____
Contractor

By _____
Signature

Print Name

Title _____

APPROVED AS TO FORM
BY THE OFFICE OF THE
COUNTY COUNSEL